

AUDIT SERVICES MONITORING REPORT: THIRD QUARTER 2007/08

LEAD OFFICER: Georgina Ayling, Head of Finance and Business Development

AUTHOR: Marilyn Robinson

1.0 AUDIT WORK IN THE THIRD QUARTER 2007/08

1.1 Final reports issued

- Loans & Investments 2007/08
- Benefits 2007/08
- Cash Receipting 2007/08
- Payroll 2007/08

The audit section also undertook work in the third quarter on:-

- Creditor payments
- National Non Domestic Rates [NNDR]

These reports will be issued in the final quarter.

1.2 Issues arising

The key recommendations are given in Appendix A.

The main issues related to:

Loans & Investments

- Money Laundering arrangements needed to be considered.

Benefits

- Unpresented cheques over 6 months old needed to be investigated. Benefit cheques are meant to be needed to cover rent payments. If they remain unpresented it could mean that the tenant has left the property, and is no longer entitled to benefit at that address, or it could mean that the claimant has a source of income which has not been declared.
- The closure of cases on the Fraud Case Management System needed to be monitored to ensure only the Team Leader was closing cases.
- Any Fraud procedures not detailed in existing guidance must be documented.

Cash Receipting

- Money Laundering arrangements needed to be considered.
- The amount of cash held in safes needed to be monitored to ensure compliance with insurance limits.

AUDIT SERVICES MONITORING REPORT: THIRD QUARTER 2007/08

Payroll

- Consideration be given to access rights on the Human Resources Database, to maintain adequate separation of duties.
- Keeping evidence on Personnel files of checks on birth certificates and educational qualifications.
- Independent confirmation by managers that the employee costs charged to their departments are correct.
- Ensuring management control of planned overtime.
- Ensuring reconciliations of costs on the Payroll system to the main financial system were up-to-date.

1.3 Follow-up audits

- 1.3.1 A running progress report is kept of all Priority 1 and 2 recommendations outstanding, since the first formal follow-ups were carried out in January 1997. All outstanding audit recommendations, including all recommendations made in reports issued in this quarter, have now been input on to the Covalent performance software. This will streamline the monitoring process. All those recommendations still outstanding, with a target date up to 31 December 2007, are detailed at Appendix B.

1.4 Issues arising from outstanding recommendations

- Managers are now completing their own progress on the Covalent system, with audit carrying out “reality checks”, particularly on the main systems which are audited on an annual basis.
- 11 long-standing recommendations have been implemented since we reported last quarter and 1 recommendation is no longer applicable.

2.0 EXTERNAL AUDIT

- 2.1 External audit issued the Use of Resources Auditor Judgements 2007 report. This will be reported separately to the Audit Committee.

3.0 INTERNAL AUDIT PERFORMANCE AGAINST AUDIT PLAN

- 3.1 We achieved 76% of planned audit work as at 31 December 2007, compared to the target of 90%. A summary of the audit performance measures showing progress for the period April to December is attached at Appendix C. Delays from the first quarter had a “knock on” effect in the second quarter. The Senior Auditor was then seconded full time to the Accountancy section, with effect from 22 October. Work has, therefore, been concentrated on the main financial systems, to ensure that these would all be completed by March 2008.

AUDIT SERVICES MONITORING REPORT: THIRD QUARTER 2007/08

3.2 To date, the following audits have been deferred:-

- Renovation Grants [also a problem re availability of staff in this section]
- Leased Transport
- Evaluating Service Business Risk
- E.Commerce / Purchasing
- Business Continuity Arrangements

3.3 These deferred audits will be undertaken once work on the main financial systems has been completed.

4.0 STAFFING ISSUES

4.1 The Senior Auditor was seconded to the vacant Accountant's post, with effect from 22 October. This meant audit days available/capacity were reduced by 25% for 2 of the 3 months in the 3rd quarter.

5.0 CONCLUSION AND RECOMMENDATION

5.1 Audit work is progressing in line with the plan but there is some slippage. Priority is being given to work on the main financial systems.

5.2 It is recommended that Members note this report.

List of Appendices: [Appendix A – Key Findings Quarter 3 2007/08](#)
 [Appendix B – Outstanding Key Recommendations](#)
 [Appendix C – Performance Indicators for 3rd Quarter](#)

Background papers: Audit Plan file 2007/08; Audit systems files

Officers Consulted: Corporate Team
 Management Group [on Appendix B]